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Item 5 of the provisional agenda
Financial situation of UNIDO

Financial situation of UNIDO

Report by the Director General

The present document provides information on the financial situation of the Organization as at 31 March 2018.

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I. Overview

1. The financial situation as at 31 March 2018 can be summarized in the following major points:

(a) The regular budget gross expenditure spending rate of 24.8 per cent is a slightly lower level than that of the same period in the previous biennium of 26.5 per cent;

(b) The operational budget expenditures amounted to €4.1 million in the reporting period;

(c) The expenditure level for buildings management amounted to €13.5 million in accordance with the prevailing workplan;

(d) The collection rate of 2018 assessed contributions as at 31 March 2018 was 30.3 per cent, compared to the 2017 and 2016 rates of 26.1 and 32.6 per cent, respectively;

(e) The collection rate of prior years' arrears, as compared to the current year's assessments, was 4.1 per cent. The rate as at 31 March 2017 and 2016, as compared to the assessments of those years, was 7.2 and 1.8 per cent, respectively;

(f) Outstanding assessed contributions amounted to €135.5 million, as shown in the annex to the present document (including arrears of €69.1 million by the United States of America, and €2.1 million by the former Yugoslavia). The outstanding amounts as at 31 March 2017 and 2016 were €136.6 million and €148.8 million, respectively;

(g) The Working Capital Fund was at the level of €7,423,030. However, an amount of €388,620 was outstanding as at 31 March 2018;

(h) A conference room paper (PBC.34/CRP.4) will be provided on the status of assessed contributions and voting rights, updated to 7 May 2018.

II. Regular and operational budgets, 2018–2019

A. Regular budget

2. The implementation of the biennial regular budget started with the establishment of an initial release threshold by budget line and/or major object of expenditure to facilitate sufficient funding at the beginning of the biennium and to facilitate activities for each required budget category.

3. Therefore, allotments of €61.0 million were issued at the onset of the biennium. The initial release consisted of €42.5 million for staff costs and €18.5 million for all other expenditure categories.

4. As at 31 March 2018, regular budget expenditures totalled €17.0 million which represents 24.8 per cent of the gross expenditure budget for 2018. These figures are slightly lower than those of the previous biennium, where, as at 31 March 2016, regular budget expenditures amounted to €18.1 million with a 26.5 per cent utilization rate of the gross expenditure budget.

B. Operational budget

5. Allotments of €17.1 million were issued at the beginning of 2018, representing 93.2 per cent of the approved operational budget estimates.

6. As at 31 March 2018, operational budget expenditures amounted to €4.1, which is slightly higher than those for the similar reporting period in the previous biennium, which amounted to €3.8 million.

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7. Technical cooperation activities in the first quarter of 2018 reached the level of $72.2 million, including commitments. Income from support costs amounted to €5.8 million as at 31 March 2018.

C. Buildings management

8. Allotments of €24.4 million were issued for 2018 at the start of the biennium. The buildings management budget is being implemented in accordance with the prevailing workplan.

9. Expenditures as at 31 March 2018 amounted to €13.5, which is almost equal to the €13.4 million spent in the same period in the previous biennium. This expenditure represents 48.6 per cent of the buildings management gross expenditure biennial budget and compares well with the 49.4 per cent spent in the same period in the previous biennium.

III. Prioritizations and efficiencies identified to offset financial impact on member states.

10. The UNIDO Programme and Budgets for 2018–2019 included a 0.772 per cent average rate of net cost increases per annum. This rate is overly conservative, particularly given that the inflation rate for 2018, as reported by the Austrian Institute for Economic Research, is projected at 1.9 per cent per annum. Further, the average inflation rates for 2018 in the emerging markets and developing economies, where UNIDO operates, is projected at 4.4 per cent per annum.

11. However, in accordance with General Conference decision GC.17/Dec.18, paragraph (f), the following section provides a list of priority areas for the efficiencies to be identified and/or implemented with the goal of offsetting the financial impact on Member States of recosting and new expenditure proposals in the budget for 2018–2019:

(a) Management review of the utilization of scarce regular and operational budget resources, to ensure their efficient and innovative utilization through the building of stronger synergies between Headquarters and field locations, including improvements in internal coordination;

(b) Management pursuit of reductions in the overall travel expenditures, inter alia, through concerted efforts aimed at the use of information and communications technology instead of physical travel, wherever possible;

(c) Full implementation of the provisions of the Programme Support Cost Recovery Policy (DGB/2016/14 of 23 December 2016) in the preparation and implementation of projects, to guarantee that programme costs is approaching full cost recovery, which would eliminate any prospective subsidization from the regular budget.

IV. Assessed contributions

A. Collections

12. A total of 41 Member States, including 11 least developed countries (LDCs), made full payments. 51 Member States, seven of which are LDCs, made partial payments and/or their adjustments were credited towards their assessed contributions

for the year 2018. The collections in the period from January to March 2018, broken down by List of States, are shown in table 1.

Table 1
Collections, January to March 2018
(In millions of euros)

*List of States**	*Current year*	*Prior years*	*Total*
A	1.77	0.56	2.33
B	13.06	0.00	13.06
C	0.26	2.16	2.42
D	5.60	0.06	5.66
Others	0.00	0.00	0.00
United States of America	0.00	0.00	0.00
Yugoslavia (former)	0.00	0.00	0.00
Total	**20.69**	**2.78**	**23.47**

* As contained in document PBC.34/9

B. Outstanding contributions

13. The detailed status of assessed contributions outstanding as at 31 March 2018 is contained in the annex to the present document. The scale of assessments and outstanding contributions as of the same period, broken down by List of States, are shown in table 2.

Table 2
Scale of assessments and outstanding contributions as at 31 March 2018

		Millions of euros		
*List of States**	*Scale of assessments (%)*	*Current year*	*Prior years*	*Total*
A	28.486	17.70	3.32	21.02
B	48.978	20.42	0.00	20.42
C	13.473	8.95	11.38	20.33
D	9.062	0.59	1.99	2.58
Others	0.001	0.00	0.00	0.00
Subtotal	**100.000**	**47.66**	**16.69**	**64.35**
United States of America		0.00	69.07	69.07
Yugoslavia (former)		0.00	2.08	2.08
Total	**100.000**	**47.66**	**87.84**	**135.50**

* As contained in document PBC.34/9

V. Voting rights

14. As indicated in the annex to the present document, the voting rights of 43 Member States had been suspended as at 31 March 2018, in accordance with Article 5.2 of the Constitution and financial regulation 5.5 (b). In comparison, the voting rights of 45 countries had been suspended at the same time last year. The status of voting rights in respect of the various policymaking organs is shown in table 3.

Table 3
Suspension of voting rights, as at 31 March 2018

	Number of members		
Members of	*2018*	*2017*	*2016*
General Conference	43	45	48
Industrial Development Board	1	1	3
Programme and Budget Committee	1	0	1

15. In order to restore their voting rights for 2018, these Member States must pay their full contributions for 2015 and prior years, including advances to the Working Capital Fund, as well as a partial contribution for 2016. The minimum total amount that would have to be paid by these Member States is €6,530,290.

VI. Multi-year payment plans

16. Table 4 shows, in summary form, the current status of those Member States that have entered into payment plan arrangements to settle outstanding assessed contributions. The Secretariat notes with appreciation and recognizes the considerable efforts made by all those Member States that have honoured their commitments and obligations as stipulated in their respective payment plans. Other Member States in arrears are encouraged to consider submitting payment plans to steadily reduce their outstanding assessed contributions. Recently, a new payment plan was signed for five years with the Bolivarian Republic of Venezuela. The agreement will enter into force as soon as the first instalment is received from the Government.

Table 4
Payment plans — status as at 31 March 2018
(Amounts in euros)

Member State	*Total amount of arrears covered by the plan**	*Outstanding amounts 31/3/18*	*Amounts received due in 2018*	*Duration years*	*Instalment due in 2018 (month)*	*Instalment due*	*Payment made in 2018*
Armenia	922,604	340,340	56,858	10	September	Third	Received
Costa Rica	280,742	110,254	81,388	10	September	Eighth	Scheduled
Kyrgyzstan	385,087	230,374	47,750	5	July	Second	Received
Total	**1,203,346**	**691,228**	**185,996**				

* Total amount of arrears at time of signing the plan

VII. Arrears by former Member States

17. The amount of arrears owed to UNIDO by the United States of America is €69,068,887 (1994–1996), while the arrears of the former Yugoslavia amount to €2,081,599 (1990–2001). Payment of these arrears is being pursued by the Secretariat.

VIII. Unutilized balances of appropriations as at 31 December 2017

18. From the total distributable amount of €16,342,346 million, €6,622,874 became available for various purposes, as presented in the table below. Altogether 20 Member States voluntarily renounced their share of the unutilized balances.

Member State	*Amount renounced*	*Purpose*
Bosnia and Herzegovina	2,539	Special account for core activities
China	821,370	MOFCOM of the IDF account
Finland	133,185	Gender
Germany	1,856,516	Major Capital Investment Fund
Israel	101,018	To be determined
Italy	1,184,271	Special contribution to IDF
Japan	Up to 1,000,000	To be determined
Kuwait	54,368	Cooperation between Kuwait and UNIDO
Malta	3,906	Partnership Trust Fund
Mauritius	2,827	Special contribution to IDF
Monaco	1,425	Special account for core activities
Mongolia	434	Special account for core activities
Peru	23,762	Partnership Trust Fund
Poland	168,747	Technical cooperation programmes to be selected later
Republic of Korea	499,112	Special contribution to IDF
Russian Federation	407,885	Russia's Industrial Development Fund account
Slovenia	23,239	Special contribution to IDF
Sri Lanka	4,805	Special account for core activities
Switzerland	140,251	Special account for core activities
Switzerland	140,251	Major Capital Investment Fund
Thailand	52,963	Thailand's' Industrial Development Fund account
Total	**6,622,874**	

IX. Action required of the Committee

19. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

(a) Takes note of the information contained in document IDB.46/4-PBC.34/4;

(b) Urges those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so without delay;

(c) Requests the Director General to pursue his efforts and contacts with Member States and former Member States to effect the collection of arrears."

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Annex

Status of assessed contributions to the regular budget

(In euros)

Status as at 31 March 2018

Member State	*Outstanding assessed contributions*	*WCF due*	*Total due*	*Years outstanding (since)*	*Voting rights[a]*	*Minimum payment to gain voting rights*
Afghanistan	11,036	0	11,036	2017P	Yes	0
Albania	0	0	0	-	Yes	0
Algeria	160,116	0	160,116	2018P	Yes	0
Angola	0	0	0	-	Yes	0
Argentina	944,455	0	944,455	2018P	Yes	0
Armenia	340,340	0	340,340	1995P	Yes	Payment Plan
Austria	0	0	0	-	Yes	0
Azerbaijan	66,276	0	66,276	2018P	Yes	0
Bahamas	27,600	0	27,600	2017P	Yes	0
Bahrain	41,925	0	41,925	2018P	Yes	0
Bangladesh	5,203	0	5,203	2018P	Yes	0
Barbados	5,980	0	5,980	2018P	Yes	0
Belarus	54,176	0	54,176	2018P	Yes	0
Belize	3,409	0	3,409	2013P	No	1,520
Benin	0	0	0	-	Yes	0
Bhutan	0	0	0	-	Yes	0
Bolivia (Plurinational State of)	52,228	0	52,228	2014P	No	18,250
Bosnia and Herzegovina	14,592	0	14,592	2018P	Yes	0
Botswana	0	0	0	-	Yes	0
Brazil	10,300,411	0	10,300,411	2016P	Yes	0
Bulgaria	0	0	0	-	Yes	0
Burkina Faso	11,263	0	11,263	2016P	Yes	0
Burundi	50,164	0	50,164	1995P	No	47,270
Cabo Verde	1,344	0	1,344	2017P	Yes	0
Cambodia	4,209	0	4,209	2018P	Yes	0
Cameroon	47,599	0	47,599	2015P	No	8,850
Central African Republic	122,404	7	122,411	1989	No	120,520
Chad	118,682	520	119,202	1991	No	109,800
Chile	403,257	0	403,257	2018P	Yes	0
China	9,034,637	341,830	9,376,467	2018	Yes	0
Colombia	625,084	0	625,084	2017P	Yes	0
Comoros	145,583	7	145,590	1986	No	143,700
Congo	33,672	54	33,726	2012P	No	16,130
Costa Rica	110,254	0	110,254	2016P	Yes	Payment plan
Côte d'Ivoire	7,572	0	7,572	2018P	Yes	0
Croatia	89,541	0	89,541	2018P	Yes	0
Cuba	57,972	0	57,972	2018P	Yes	0
Cyprus	0	0	0	-	Yes	0
Czechia	0	0	0	-	Yes	0
Democratic People's Republic of Korea	3,366	0	3,366	2018P	Yes	0
Democratic Republic of the Congo	176,196	445	176,641	1989P	No	163,140
Djibouti	0	0	0	-	Yes	0
Dominica	9,537	0	9,537	2006P	No	7,490
Dominican Republic	859,406	149	859,555	1989P	No	704,770
Ecuador	71,487	0	71,487	2018P	Yes	0

Member State	*Outstanding assessed contributions*	*WCF due*	*Total due*	*Years outstanding (since)*	*Voting rights[a]*	*Minimum payment to gain voting rights*
Egypt	147,621	0	147,621	2018P	Yes	0
El Salvador	477,055	1,554	478,609	1988	No	426,210
Equatorial Guinea	49,424	0	49,424	2011P	Yes	29,100
Eritrea	0	0	0	-	Yes	0
Ethiopia	12,309	0	12,309	2017P	Yes	0
Fiji	0	0	0	-	Yes	0
Finland	0	0	0	-	Yes	0
Gabon	72,654	0	72,654	2015P	No	8,650
Gambia (The)	69,354	0	69,354	1994P	No	67,460
Georgia	1,665,014	668	1,665,682	1992P	No	1,640,580
Germany	3,532,669	0	3,532,669	2018P	Yes	0
Ghana	16,872	0	16,872	2018P	Yes	0
Grenada	20,049	0	20,049	1999P	No	18,160
Guatemala	23,366	0	23,366	2018P	Yes	0
Guinea	8,811	0	8,811	2012P	No	5,550
Guinea-Bissau	127,714	7	127,721	1988	No	125,830
Guyana	2,804	0	2,804	2016P	Yes	0
Haiti	2,766	0	2,766	2018P	Yes	0
Honduras	62,447	0	62,447	2011P	No	35,980
Hungary	0	0	0	-	Yes	0
India	721,086	0	721,086	2018P	Yes	0
Indonesia	537,242	0	537,242	2018P	Yes	0
Iran (islamic Republic of)	734,228	0	734,228	2017P	Yes	0
Iraq	144,956	0	144,956	2018P	Yes	0
Ireland	0	0	0	-	Yes	0
Israel	0	0	0	-	Yes	0
Italy	4,186,486	0	4,186,486	2018P	Yes	0
Jamaica	61,837	0	61,837	2013P	No	27,180
Japan	10,679,392	0	10,679,392	2018P	Yes	0
Jordan	18,560	0	18,560	2018P	Yes	0
Kazakhstan	210,157	0	210,157	2018P	Yes	0
Kenya	34,880	0	34,880	2016P	Yes	0
Kiribati	2,048	74	2,122	2016	No	230
Kuwait	1,411	0	1,411	2018P	Yes	0
Kyrgyzstan	230,374	0	230,374	1995P	Yes	Payment Plan
Lao People's Democratic Republic	1,230	0	1,230	2018P	Yes	0
Lebanon	45,048	0	45,048	2018P	Yes	0
Lesotho	1,672	0	1,672	2016P	Yes	0
Liberia	0	0	0	-	Yes	0
Libya	734,432	0	734,432	2014P	No	267,060
Luxembourg	0	0	0	-	Yes	0
Madagascar	5,837	0	5,837	2017P	Yes	0
Malawi	10,080	0	10,080	2014P	No	4,090
Malaysia	314,163	0	314,163	2018P	Yes	0
Maldives	6,652	58	6,710	2011P	No	3,450
Mali	0	0	0	-	Yes	0
Malta	0	0	0	-	Yes	0
Marshall Islands	684	0	684	2018	Yes	0
Mauritania	2,480	0	2,480	2017P	Yes	0
Mauritius	0	0	0	-	Yes	0
Mexico	2,285,432	0	2,285,432	2017P	Yes	0
Monaco	11,397	0	11,397	2018P	Yes	0

Member State	*Outstanding assessed contributions*	*WCF due*	*Total due*	*Years outstanding (since)*	*Voting rights[a]*	*Minimum payment to gain voting rights*
Mongolia	5,468	223	5,691	2018	Yes	0
Montenegro	0	0	0	-	Yes	0
Morocco	0	0	0	-	Yes	0
Mozambique	7,282	0	7,282	2017P	Yes	0
Myanmar	5,390	0	5,390	2018P	Yes	0
Namibia	0	0	0	-	Yes	0
Nepal	5,638	0	5,638	2018P	Yes	0
Netherlands	0	0	0	-	Yes	0
Nicaragua	2,668	0	2,668	2018P	Yes	0
Niger	59,363	0	59,363	1995P	No	53,370
Nigeria	347,023	0	347,023	2016P	Yes	0
Norway	0	0	0	-	Yes	0
Oman	110,076	0	110,076	2018P	Yes	0
Pakistan	88,891	0	88,891	2018P	Yes	0
Panama	0	0	0	-	Yes	0
Papua New Guinea	58,204	91	58,295	2003P	No	44,110
Paraguay	18,145	0	18,145	2017P	Yes	0
Peru	103,108	0	103,108	2018P	Yes	0
Philippines	189,264	1,262	190,526	2017P	Yes	0
Poland	0	0	0	-	Yes	0
Qatar	283,079	0	283,079	2018P	Yes	0
Republic of Korea	2,325,301	4,899	2,330,200	2018	Yes	0
Republic of Moldova	0	0	0	-	Yes	0
Romania	170,275	0	170,275	2018P	Yes	0
Russian Federation	0	0	0	-	Yes	0
Rwanda	11,088	0	11,088	2012P	No	5,100
Saint Kitts and Nevis	0	0	0	-	Yes	0
Saint Lucia	426	0	426	2018P	Yes	0
Saint Vincent and the Grenadines	121,874	7	121,881	1989P	No	119,990
Samoa	0	0	0	-	Yes	0
Sao Tome and Principe	145,583	7	145,590	1986	No	143,700
Saudi Arabia	1,306,871	34,665	1,341,536	2018P	Yes	0
Senegal	4,177	0	4,177	2018P	Yes	0
Serbia	27,913	0	27,913	2018P	Yes	0
Seychelles	562	0	562	2018P	Yes	0
Sierra Leone	2,383	0	2,383	2015P	No	490
Slovenia	0	0	0	-	Yes	0
Somalia	145,582	7	145,589	1986	No	143,700
South Africa	0	0	0	-	Yes	0
Spain	2,007,891	0	2,007,891	2018P	Yes	0
Sri Lanka	0	0	0	-	Yes	0
Sudan	9,337	0	9,337	2017P	Yes	0
Suriname	28,850	0	28,850	2013P	No	12,620
Swaziland	4,073	0	4,073	2017P	Yes	0
Sweden	0	0	0	-	Yes	0
Switzerland	0	0	0	-	Yes	0
Syrian Arab Republic	18,213	0	18,213	2018P	Yes	0
Tajikistan	42,040	116	42,156	1999P	No	30,740
Thailand	54,083	0	54,083	2018P	Yes	0
The former Yugoslav Republic of Macedonia	72,166	0	72,166	2009P	No	46,380
Timor-Leste	0	0	0	-	Yes	0
Togo	0	0	0	-	Yes	0

Member State	*Outstanding assessed contributions*	*WCF due*	*Total due*	*Years outstanding (since)*	*Voting rights*[a]	*Minimum payment to gain voting rights*
Tonga	1,007	0	1,007	2017P	Yes	0
Trinidad and Tobago	72,863	0	72,863	2017P	Yes	0
Tunisia	39,710	0	39,710	2017P	Yes	0
Turkey	0	0	0	-	Yes	0
Turkmenistan	79,806	0	79,806	2015P	No	6,950
Tuvalu	4,874	74	4,948	2012P	No	3,050
Uganda	43,751	0	43,751	2012P	No	23,430
Ukraine	98,311	0	98,311	2018P	Yes	0
United Arab Emirates	688,977	965	689,942	2018P	Yes	0
United Republic of Tanzania	37,232	0	37,232	2013P	No	16,910
Uruguay	82,891	0	82,891	2018P	Yes	0
Uzbekistan	495,142	931	496,073	1998P	No	436,150
Vanuatu	0	0	0	-	Yes	0
Venezuela (Bolivarian Republic of)	3,487,833	0	3,487,833	2013P	No	1,405,590
Viet Nam	60,834	0	60,834	2018P	Yes	0
Yemen	48,213	0	48,213	2011P	No	27,890
Zambia	26,215	0	26,215	2015P	No	5,890
Zimbabwe	11,987	0	11,987	2014P	No	3,260
Subtotal:	**64,345,602**	**388,620**	**64,734,222**			**6,530,290**
Yugoslavia (former)[b]	2,081,599		2,081,599	1990(P)-2001		
Non-Member						
United States of America[c]	69,068,887		69,068,887	1994(P)-1996		
TOTAL	**135,496,088**	**388,620**	**135,884,708**			**6,530,290**

Notes: (P) refers to partial payment

[a] Voting rights of 43 Member States have been suspended in accordance with Article 5.2 of the Constitution of UNIDO.

[b] Outstanding contributions to be resolved (General Assembly resolution 63/249).

[c] Member State of UNIDO until 31 December 1996.

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Item 6 of the provisional agenda
Report of the informal working group on Programme and Budget Committee-related issues

Report of the informal working group on Programme and Budget Committee-related issues

Report by the Co-chairs

Further to decision IDB.45/Dec.7, paragraph (d), the present document provides information on the establishment and meetings of the informal working group on Programme and Budget Committee-related issues. Member States can access all relevant presentations and background documents provided to the working group through the UNIDO Member States extranet at extranet.unido.org. In light of the reporting deadline specified in the above decision, this document also requests an extension of the mandate of the working group.

I. Background: Organization of the IWG

1. At its forty-fifth session in June 2017, the Industrial Development Board adopted decision IDB.45/Dec.7, which "Established an informal working group, without cost implications to address Programme and Budget Committee-related issues of the Organization to be convened by the President of the Industrial Development Board, which will report to the Programme and Budget Committee at its thirty-fourth session".

2. On 20 October 2017, the President of the Industrial Development Board, Her Excellency Ambassador Paulina Franceschi Navarro of Panama, convened the first meeting of the informal working group on Programme and Budget Committee-related issues (IWG). Participants agreed to nominate two co-chairs, one from countries of the Group of 77 and China, and one from members of the Western Europe and other Groups (WEOG) and States in List D.

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3. On 30 January 2018, IWG met for the second time to consider the nominations received by then. Mr. Moataz Khaled Aly Abdelhady of Egypt and Ms. Katharina Frey Bossoni of Switzerland were appointed as the two Co-chairs. The mandate of IWG was discussed, as was its proposed schedule and the topics it would consider. It was decided that the list of topics for future discussions would continue to be open to further additions/amendments by participants of the working group, as and when necessary. IWG also requested that the Secretariat provide:

(a) A legal opinion on whether the mandate of the working group was time-limited or open-ended;

(b) All relevant documentation three days prior to the meetings of the working group.

II. Overview of meetings: dates and topics

4. Further to the two initial meetings, IWG held four substantive meetings as follows:

(a) 16 February, unutilized balances of appropriations (UBs);

(b) 8 March, UBs and programme cost recovery;

(c) 20 March scale of assessments and the collection of late payments;

(d) 17 April, UBs (follow-up discussion) and discussions about prolongation of IWG's mandate.

III. Discussion on the mandate of IWG

5. At the second meeting of IWG, the question of the Group's mandate was raised. A legal opinion was presented on this issue to the third meeting. After discussing the matter further at the sixth meeting, participants agreed that the report to the thirty-fourth session of the Programme and Budget Committee should include a draft recommendation to the Board to extend IWG's mandate of reporting to the Committee, but in an open-ended manner, i.e. without limiting it to a specific session of the Committee.

IV. Discussion on UBs

6. The Secretariat made a number of presentations on UBs. These covered such aspects as the definition of UBs, the difference between cash surpluses and late payments, the legal basis for UBs, and a historic overview of UBs in the last two bienniums.

7. Further to requests for more information, the Secretariat presented a table with four possible options for the handling of UBs in future:

(a) A permanent solution, including introducing accrual budgeting and provision for carry-over of UBs into the next budget period to implement regular budget activities that were not funded or delivered in the biennium in which UBs were created;

(b) The retention of UBs either in for regular budget activities or in the Major Capital Investment Fund (MCIF), allowing the resources to be used to implement approved programmes;

(c) An opt-out model where UBs would be retained for regular budget activities, unless the relevant Member State specified their use by the first quarter of the following budget period;

(d) A temporary option, where UBs could be retained for a specific purpose under regular budget activities, MCIF or other funds.

8. These were subsequently augmented by four additional options:

(a) Limiting the retention of UBs for one biennium, following which, any remaining balances would be applied against the assessment of the individual Member State concerned;

(b) Retaining the UBs to the MCIF, to ease the burden on the regular budget in terms of substantial capital investments. This could lead to potential reductions in the budget appropriations in following biennia and thus reduced assessments;

(c) Limiting the retention of UBs for under-implemented and/or deferred programme activities, allowing for the completion of these activities;

(d) Retaining the UBs in a "Reserve Account" to finance approved specific activities under the regular budget.

9. During the resulting discussions, the following points were raised:

(a) The need to differentiate between cash surplus and late payments was highlighted;

(b) A request was made for more information on how carried-over UBs could be used in the subsequent bienniums and what impact this would have (e.g. implementation gap);

(c) A call was made for additional options to be explored;

(d) The need was underlined to ensure that no perverse incentives are created, either for late payments or lax collection;

(e) There was a call request for further examples of how carried-over or retained UBs would be used;

(f) On the collection of late payments, it was noted that any future proposals for the treatment of UBs should incentivize the Secretariat to maintain the currently reasonable rate of collection.

10. Furthermore, the following positions were raised regarding any possible amendment to how UBs were dealt with:

(a) One Member State informed that their position was that "any automatism could only be agreed to [...], if the remainder of funds budgeted/paid as assessed contributions were credited towards assessed contributions in the following year(s), therefore reducing [the respective] contribution. These funds could not be used as voluntary contributions, grants, etc.";

(b) It was noted that any proposed changes should not hinder the delivery of services to any of the Member States;

(c) More information was requested on the possible use of the Working Capital Fund to facilitate an increase of approved budget implementation in a biennium and by replenishing the Fund through the cash surplus at the end of each year, or through late payments received for that biennium, and what this would mean for UBs;

(d) Member States requested that for future discussions, UBs be divided into cash surplus[1] and late payments,[2] and that the Secretariat provide possible ways of dealing with each of these separately;

(e) Participants were reminded that it was the prerogative of Member States to take a decision on these matters and that therefore the deliberations of the working group should aim at coming up with a concrete proposal on this matter.

V. Full cost recovery

11. The Secretariat presented an overview of the current situation regarding UNIDO's recovery of support cost. It also highlighted the ongoing work of an internal taskforce on this issue. The Secretariat therefore undertook to report on the work of this taskforce, once its deliberations had concluded toward the fourth quarter of 2018.

12. Member States decided to postpone discussion of this topic until after the update on the work of the taskforce had been received.

VI. Scale of assessments

13. The presentation delivered on the scale of assessments covered the regulatory framework underlying the calculation of the percentage share of UNIDO's regular budget which each Member State is due. As this calculation is based on the scale of assessments negotiated at the United Nations Headquarters in New York, the presentation also covered the coefficient used to adjusting this overall scale of assessments to UNIDO's membership.

14. Participants noted that both the background information and the presentation provided, demonstrated the complexity of the discussions on the scale of assessments in New York and that this topic was therefore felt to be beyond the scope of IWG.

VII. Late payments

15. Regarding late payments of assessed contributions, further to analysis of the payments by Member States conducted by the Department of Finance, there is no evidence of patterns of deliberate late payments and after three years circa 98 per cent of payments are collected.

VIII. Action required of the Committee

16. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

(a) Takes note of the information contained in document IDB.46/5;

(b) Thanks the informal working group on Programme and Budget Committee-related issues for its work to date, encourages all Member States to actively engage with the deliberations of the working group, and requests the working group to keep deliberating on the issue of unutilized balances of appropriations, with a view to producing a proposal on their treatment for the

[1] Cash surplus is the difference between the collected amount of cash from assessed contributions, including other income and expenditures (i.e. payments and outstanding commitments) at the end of the biennium.

[2] Late payments are assessed contributions payments received after the end of the biennium related to that biennium.

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consideration of the thirty-fifth session of the Programme and Budget Committee;

(c) Welcomes the work produced by the informal working group to date and decides to extend its mandate until it is decided to conclude its deliberations and requests its Co-chairs to continue reporting annually to the Board, through the Programme and Budget Committee."

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Mobilization of financial resources

Mobilization of financial resources

Report by the Director General

The present report responds to the mandate provided by decision IDB.25/Dec.5 in which the Director General is requested to maintain a continuous dialogue with Member States in order to actively sustain the common resource mobilization effort. It should be considered in conjunction with the *Annual Report of UNIDO 2017*, which provides information on mobilization of financial resources for that year. The report also provides substantive reporting on the thematic trust funds, the trust fund for Latin America and the Caribbean, and the two special accounts financed through unutilized balances and other voluntary funding.

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I. Introduction

1. Given the limited availability of funding for technical cooperation activities from the regular budget of UNIDO, as defined by the Constitution, the mobilization of extrabudgetary funding for the delivery of UNIDO services is imperative. As shown in the *Annual Report 2017*, the volume of these extrabudgetary funds mobilized in 2017, reached $197.4 million (the level of future payments due under signed funding agreements, with addition of the programmable donor funds). Net funds made available for implementation increased for the sixth consecutive year, reaching $217.9 million in 2017.

2. Funding from the Global Environment Facility (GEF) increased to $91.2 million, reaching a record level for the second consecutive reporting period. Funding from the Montreal Protocol in 2017 reached $22.4 million. Funding from governmental sources through a variety of channels exceeded $98.9 million. In 2017, the European Union, Switzerland and Japan were the three largest single donors in this category.

II. Thematic focus and progress on funds mobilization

3. The continuously strong performance in mobilizing new resources for UNIDO programmes is clear evidence for the wide recognition of the Organization's comparative advantages and for the relevance on its thematic priority areas. The work of the Organization continues to be seen as an effective response to global concerns, including poverty, lack of employment and social instability, access to regional and international trade, food and energy security, and environmental degradation and climate change.

4. Guided by the Lima Declaration (GC.15/Res.1) and the 2030 Agenda for Sustainable Development, the Organization will continue to promote inclusive and sustainable industrial development (ISID) by strengthening its capacity to create shared prosperity and advanced competitiveness while safeguarding the environment and strengthening knowledge and institutions. In the implementation of industry-related sustainable development goals and targets, UNIDO will further strengthen existing and forge new partnerships with organizations with complementary mandates and skills, as well as with representatives of the public and private sector, financial institutions, academia and civil society, so as to continuously improve the services it provides to Member States and increase the efficiency and effectiveness.

5. In addition to 17 governmental donors providing more than $1 million each, funding from multilateral funds as well as multi-donor trust funds present an increasingly diversified funding basis for the future. UNIDO continues to pursue innovative sources of financing, including through additional contributions from traditional and emerging multilateral and bilateral sources.

6. The two issues of concern continue to be, as noted in previous years, the requirement of some donors, such as the GEF, for co-funding of projects, and the limited availability of funds that UNIDO can programme. These are critical to respond rapidly to requests for assistance and for the design phase of projects and programmes. Member States and other donors are strongly encouraged to continue to contribute unearmarked or programmable funds, notably to the below-mentioned thematic trust funds.

III. Trust fund on food security

7. This section covers recent progress since the last report issued in April 2016 (IDB.44/5-PBC.32/5).

8. Since the last report, technical cooperation activities amounting to €974,269 (net of programme support costs), compared to €3,009,319 from the creation of the trust

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fund in 2010 until the last report, were financed from resources of the trust fund. The newly allocated funds target Africa (Namibia and Rwanda), Asia (Cambodia and Viet Nam), as well as projects with a regional focus, such as the "Scaling up for food safety capacity-building" project, or with a global focus, such as the project on entrepreneurial competency-based framework for industrial development. The leverage effect triggered since the initiation of the trust fund is continuing successfully with much deeper involvement in the establishment of Integrated Agro-Industrial Parks in Ethiopia; the support to establish Agropoles in Senegal; the Tempe project in cooperation with FAO and IAEA in Indonesia; and the support to mountainous zones in Morocco. These projects triggered follow-up projects representing a leverage effect of approximately 25 per cent, thereby meeting the donors' expectations of a significant leveraging of the trust fund resources.

9. Preparatory assistance with follow-up projects are under implementation in Cambodia, and are under development mainly in African countries based on the "Intervention for scaling up food capacity-building". The expected leverage effect will be approximately 30 per cent.

10. The results achieved by the project "Strengthen the supply capacity of the fruits and vegetable sector by applying proper technologies along the value chain" in Viet Nam, a co-financing initiative combining One United Nations funds, private sector investments and trust fund contributions, resulted in a request from the Government of Viet Nam to scale up the interventions by a factor of ten. The latest contribution from the trust fund is earmarked for a baseline study. It is planned that the trust fund will support the implementation of the Accelerated Agribusiness and Agro-Industries Development Initiative Plus (3ADI+), a renewal of the 3ADI initiative building on the experiences and lessons learned from the original initiative. Pilot applications are under development in Bangladesh, Suriname and the United Republic of Tanzania.

11. The Government of Finland was the main contributor to the Trust Fund during the reporting period.

IV. Trust fund on renewable energy

12. The trust fund has been fully operational for over eight years, and significant progress has been achieved. To date, 15 projects developed with the support of the trust fund have been approved by the GEF for grant funding of around $42 million, as well as $234 million to be leveraged as co-financing. Projects funded by the GEF are located, inter alia, in Albania, Argentina, Cambodia, Cameroon, Chile, Côte d'Ivoire, the Dominican Republic, Egypt, India, Kenya, the Lao People's Democratic Republic, Madagascar, Nigeria, and the United Republic of Tanzania.

13. In addition, seven non-GEF projects have been developed with the support of the trust fund, with grant funding of $11 million. These include projects in the Caribbean region, Ethiopia, India, Kenya, and the Southern African Development Community (SADC) region, as well as a cross-cutting project to mainstream gender considerations in sustainable energy programmes.

V. Trust fund on trade-related capacity-building

14. The trust fund on trade-related capacity-building contributes to promoting quality and standards in the assisted countries, as well as the organization of global forum activities. These aim to support partnership initiatives targeting governments, the private sector and development finance institutions, mobilizing additional partners and leveraging resources to accelerate ISID. The objective of implemented projects is to create and maintain a business environment by achieving good governance through quality policy formulation and internationally recognized compliance and quality infrastructure services for greater market access. In assisted countries, local expertise is built in the area of quality, competitiveness and private

sector development, focusing on the integration of small and medium-sized enterprises into global value chains and promoting innovative technologies as a tool to enhance economic competitiveness in least developed countries (LDCs) to significantly reduce poverty.

15. Since the creation of the fund, technical cooperation activities amounting to €2,443,065 including programme support costs were financed from its resources. The Government of Finland was the main contributor to the Trust Fund during the reporting period. The fund currently contributes €615,670 to three ongoing projects at the global level and €641,784 to three regional projects in Africa.

16. With this trust fund mechanism, UNIDO strengthens the capacity of developing countries to meet quality standards of exports, supports agro-industry value chain development and promotes business partnerships in countries such as Brazil, Ethiopia, Madagascar, Pakistan, Senegal, and Sierra Leone. The funds were mainly allocated to LDCs as preparatory assistance, to mobilize a significant amount of resources from other financial sources for technical cooperation interventions. Ongoing UNIDO trust fund projects at the global level focus on good governance and sustainability of quality infrastructure through quality policy; on a trade and quality-related interactive web-tool called the trade and compliance knowledge hub online platform; and on strengthening cooperation between UNIDO and the Enhanced Integrated Framework. As a result, policymakers, service providers and private enterprises will benefit from online platforms which collect and centralize the existing global forum activities, publications and e-learning tools from the UNIDO department of trade, investment and innovation. The constant requests from Member States in the area of trade-related capacity-building call for further contributions to this trust fund.

VI. Trust fund for Latin America and the Caribbean

17. Since the creation of the fund for Latin America and the Caribbean in 2011 (IDB.40/8 and IDB.41/12) the fund has proven to be an efficient mechanism to promote South-South cooperation and strengthen regional complementarities, leverage regional value chain opportunities, support the creation of networks to establish closer dialogue between national stakeholders, and facilitate the exchange of knowledge and solutions among actors in the region.

18. The fund currently supports the following four initiatives, each of which is listed inclusive of its support cost: (a) in the "Exploring advanced technologies to improve regional value chains" project in Brazil and Uruguay, 82 per cent of the overall budget of €86,445 has been implemented; (b) in the "Improving productivity and competitiveness of fishery value chains in six LAC countries" project co-financed by the OPEC Fund for International Development, and which covers Colombia, Cuba, the Dominican Republic, Ecuador, Nicaragua and Mexico, 91 per cent of the overall budget of €760,264 has been implemented; (c) in the project entitled "Establishing a regional cooperation platform for sustainable industrial parks in eight LAC countries", which covers Argentina, Bolivia (Plurinational State of), Chile, Costa Rica, El Salvador, Guatemala, Panama, and Paraguay, 76 per cent of the overall contribution of €700,600; and (d) in the "UNIDO Regional Industrial Knowledge Bank", which covers seventeen LAC countries.

19. Besides the initial contributions from Member States of the region in 2012 and 2013, the trust fund was also supported with $1 million by the Government of China in April 2014. At a meeting in March 2017, the Group of Latin American and Caribbean Countries and UNIDO agreed to intensify efforts to leverage the trust fund resources to ensure the continuation of ongoing regional projects and to develop new ones in agro-industry, biopharmaceutics, mechatronics and automation, and the application of renewable energy sources. Since then a first additional contribution of €13,186.25 was provided by Mexico to support these efforts.

VII. Partnership Trust Fund

20. The Partnership Trust Fund (PTF) was established in 2015, the terms of reference of which are annexed to document GC.16/CRP.5. The PTF supports the development, coordination, and launching of the Programmes for Country Partnership (PCPs), the expansion of strategic partnerships, as well as the organization of global forum activities dedicated to the promotion of multi-stakeholder partnerships for ISID.

21. Contributions to the PTF have supported initial enabling activities for the development and roll-out of the five PCP pilots in Ethiopia, Senegal, Peru, Cambodia and Kyrgyzstan. In addition to UNIDO's overall coordination support within the framework of the PCP, this has included technical assistance and advisory services to facilitate the leveraging of funding and investment, including from the host government and financial institutions, for the realization of large-scale industrial projects such as industrial parks.

22. The PTF also contributes to strengthening strategic partnerships, in particular with financial institutions and the business sector, as well as to facilitating partnerships with environmental financing mechanisms (such as the Global Environment Facility and the Green Climate Fund), through the PCP but also other types of partnership modalities. With regard to financial institutions, PTF resources have directly supported the setting-up of institutional- and project-level partnerships with entities such as the World Bank, the African Development Bank, the European Investment Bank, the Asian Development Bank, and the Inter-American Development Bank, among others. This includes the development of and agreement on standard contractual templates which, in turn, serve as tools for successful engagement, formalization, implementation and risk management of project-specific partnerships with financial institutions. The PTF also supported the development of a new UNIDO Policy on Business Sector Partnerships as well as the regular application of UNIDO's due diligence screening and active risk management approach whenever the Organization engages with business sector entities.

23. The PTF has also been essential to the standardization of the PCP approach. Based on lessons learned from the piloting phase and the independent midterm evaluation, UNIDO developed a Policy on the Programme for Country Partnership as well as associated Guidelines which define in-house roles and responsibilities along the PCP cycle. Both the UNIDO Policy and Guidelines were promulgated in the first quarter of 2018, and will guide PCP development going forward, including the newest PCPs in 2018 and onwards.

24. Among other convening events, the PTF has supported the organization of regular ISID Forums, notably the fifth and sixth ISID Forums held in 2016 and 2017, respectively. These high-level events have been crucial to presenting the PCP model, offering a platform for dialogue and the sharing of PCP pilot experiences, ultimately helping to mobilize partners and support for the PCP approach.

25. As UNIDO moves forward with the expansion of the PCP to additional countries, the PTF will remain of critical importance to allow the Organization to respond promptly and flexibly to Member States' needs and requests for new PCPs. Contributions to the PTF will continue to serve as core seed funding to help UNIDO leverage partners, expertise and resources to support Member States in advancing ISID.

26. Since the creation of the fund, the following Member States have contributed to the fund: China, $10,313,380 including support costs; Italy, with €151,994; Malta, with €3,906 in early 2018; Peru, with €633,131 including a contribution of €23,762 in early 2018; Russian Federation, with €246,709 in 2016 and $250,000 in 2017, respectively; and Spain, with €113,000.

VIII. Special Account of Voluntary Contributions for Core Activities (SAVCCA) and Major Capital Investment Fund (MCIF)

27. At its forty-third session the Board took note of the establishment of two new special accounts: (a) the Special Account of Voluntary Contributions for Core Activities (SAVCCA), to facilitate the receipt, management and usage of voluntary contributions for core activities, and (b) the Major Capital Investment Fund (MCIF), as a funding mechanism to secure funding for major capital investments or replacements (decision IDB.43/Dec.6 (i)). The purposes and limits, as well as the special financial rules governing the operations of these accounts are contained in document IDB.43/5.

28. At the time of reporting, a total of €149,454 was renounced by various Member States with designated allocation towards the Special Account of Voluntary Contributions for Core Activities and €1,996,767 towards the Major Capital Investment Fund.

IX. Action required of the Committee

29. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

(a) Takes note of the information contained in document IDB.46/6-PBC.34/6;

(b) Decides to delegate to the Director General the authority to approve projects for financing under the Industrial Development Fund in 2018 and 2019 in accordance with the priorities defined in the medium-term programme framework 2018–2021 (IDB.45/8 and GC.17/6);

(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO including for the recently created Partnership Trust Fund as well as the Special Account of Voluntary Contributions for Core Activities (SAVCCA) and the Major Capital Investment Fund (MCIF);

(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to respond rapidly to requests for assistance and develop and implement its programmatic activities in a prompt and coordinated manner;

(e) Requests Member States to consider contributing to UNIDO to enable the Organization to work with funding sources requiring co-funding, either through contributing to the dedicated trust funds or by special purpose funding at country or global level;

(f) Encourages Governments of recipient countries to play an active role in sharing with UNIDO the responsibility for mobilizing funds for jointly agreed priority activities, and specifically to take the lead in identifying and accessing funds available at the country level, including local cost sharing opportunities, and funds from bilateral donors, multi-donor trust funds, United Nations Development Programme, World Bank as well as other development finance institutions;

(g) Strongly recommends that Member States cooperate with and support the Organization in its efforts to develop and promote its programmes and initiatives in the international development context, and especially through international conferences and other forms of dialogue, in order to ensure that these initiatives are well known, their relevance for international development targets are recognized, and resources are made available."

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